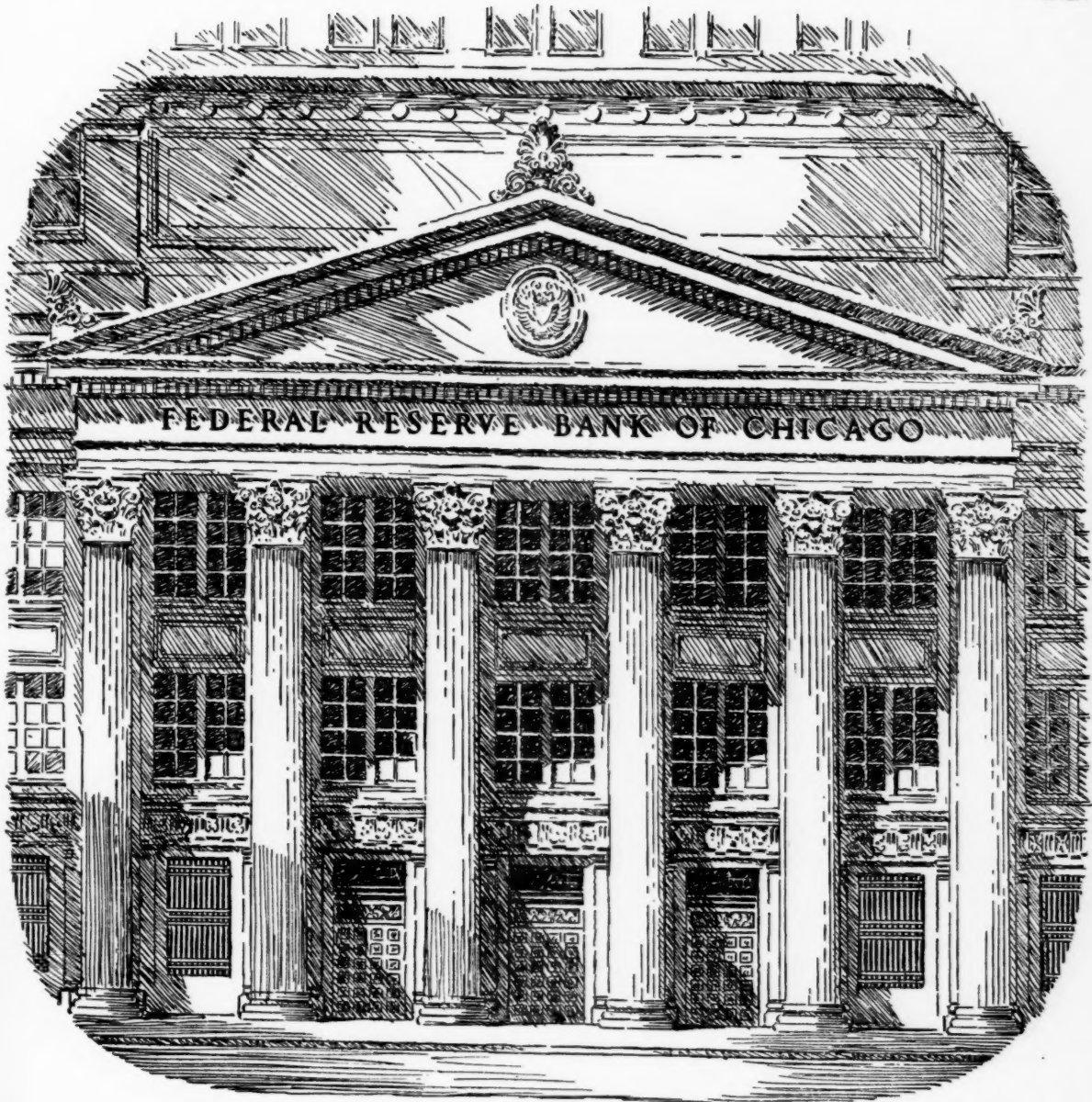


# BUSINESS CONDITIONS



Prepared by the  
Research and Statistics Department  
of the  
Federal Reserve Bank of Chicago

## *Monthly Review of Business Conditions in the Seventh Federal Reserve District*

### DISTRICT SUMMARY

**C**ONTINUED improvement as compared with the trend a year ago characterizes business conditions in the Seventh district. Recessions were noted in data covering November activity were in general seasonal in nature, and several phases recorded gains over the corresponding 1937 period, especially in the volume of new business. Employment and payrolls in the district expanded in November for the fourth consecutive month. It appears that December retail trade will be equal to if not above that of a year ago, despite the decline in prices from that time and the buying of lower-priced merchandise this year.

#### INDUSTRY

**T**HE production of automobiles has continued to expand and demand from this source was one of the principal factors in maintaining steel mill operations through mid-December at the highest level of the year and much above the corresponding 1937 rate. For the first time in 1938 output of automobiles in November exceeded that of a year ago. There was a gain during the month in new business booked by steel and malleable casting foundries of the district, and orders for malleable castings were much greater than last November; output of both steel and malleable castings was accelerated considerably in the period. Although building construction declined from October, in accordance with seasonal trend, it was more than double the November 1937 volume. Orders booked and shipments by furniture manufacturers fell off less than is usual in November and were above the 1928-37 average for the month. Production of paper and pulp mills increased slightly in the period and activity was noticeably greater than a year ago. The durable goods industries, due to expansion in the metals and vehicles groups, were responsible for the continued gain in employment during November.

#### AGRICULTURAL PRODUCTS

**T**HE production of packing-house commodities rose in November to a level well above that of a year ago and

slightly in excess of the 1928-37 average for the month. With the sales tonnage seasonally under production, there was some accumulation of inventories in the period. The manufacture of dairy products fell off during November but remained heavy for the period, and inventories continued in record-high volumes for the season; sales declined from the preceding month, though totaling above the 1937 period. Receipts of wheat at interior primary markets were heavy for November, while a contraseasonal decline took place in the corn movement which was below a year ago. Visible supplies of both grains were rather large at the end of the month.

#### TRADE

**T**HERE was a 5 per cent increase in November over October in Seventh district department store trade, the gain comparing with a recession in the 1928-37 average for the month. The margin of decline from last year was narrowed to only 5 per cent, and preliminary data for December indicate that sales for that month will equal or may even exceed those for the corresponding 1937 period. Business in the retail shoe and furniture trades was lighter in November than a month previous but only moderately under a year ago. Less than usual declines or contraseasonal gains were recorded by wholesale trade groups in the comparison with the preceding month, and several lines reported sales gains over last November.

#### CREDIT

**F**UNDS gained through commercial and financial transactions with other districts caused reserve balances of Seventh district member banks to increase during the four weeks ended December 14. Total loans and investments of weekly reporting member banks gained in this period, as did their demand and time deposits. Following an increase in the preceding four weeks, the annual velocity of demand deposits at these banks declined and remained below the rate of turnover a year ago.

### The Anglo-American Trade Agreement

**T**HE new trade agreements which become effective on January 1, 1939, and which were signed on November 17 by the United States, Canada, the United Kingdom, and the Crown Colonies, are expected to remove many of the restrictive influences imposed upon United States exports to the British empire by the Ottawa conference. So far as the Seventh Federal Reserve district is concerned, the chief benefits will accrue to agriculture and to certain types of machinery and appliances. Abolition of duty amounting to about 6 cents per bushel on British imports of United States wheat restores this Seventh district commodity to a competitive basis in England with wheat from Canada and Australia, but does not nullify the fact that price realignments or a continuance of subsidies may be necessary for this American grain to compete successfully with low-cost wheat from Argentina and Roumania, which also will be admitted free under the most-favored nation clause. Elimination of the 10 per cent English duty on United States lard

better places this commodity to compete with surplus animal fats from other exporting nations and may result in an improved British demand for it after January 1, unless the tariff reduction on lard is met by a corresponding decrease in prices of competitive vegetable fats. British quotas for hams from the United States are expanded by about 20 per cent.

The reduction in British duties on United States manufactures of track-laying type tractors and certain lines of office equipment and domestic appliances also should exert some beneficial effect upon Seventh district industry. Although the British duty on automobiles has not been decreased, this major Seventh district industry is assured of no further increase in duties on cars of 25 or more horsepower; tariffs have been reduced in some Crown Colonies and the 3 per cent excise tax in Canada has been eliminated.

Among concessions granted by the United States to Canada is a reduction in the duty on Canadian cattle and swine, but the influence thereof may be more than counteracted by increased exports of animal products from the United States to England.

## Merchandising

### WHOLESALE TRADE

**A**LTHOUGH wholesale trade in the Seventh district declined in November from the preceding month, as is customary, the decreases in sales for the most part were less than is usual and some contraseasonal gains were recorded. In the aggregate for all groups, the dollar volume sold was smaller by 5 per cent than in October, with the drug trade off only one per cent, the hardware trade less by 5 per cent, and a decline in the miscellaneous group of 11 per cent; sales of electrical goods expanded 8 per cent in the period, those of groceries increased one per cent, and those of tobacco and its products gained fractionally. Margins of decline from a year ago were narrowed considerably during November in the drug, hardware, and electrical goods trades, while sales of groceries, tobacco, and the total for the miscellaneous group exceeded the November 1937 volumes. Stocks of electrical goods and of tobacco and its products were higher at the end of November than a month earlier, but in other groups they declined; the aggregate for all groups showed an 18 per cent decrease from the corresponding 1937 date.

WHOLESALE TRADE IN NOVEMBER 1938\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	+0.3	-12.3	-3.6	-5.5
Hardware.....	-9.9	-19.5	-16.8	-16.6
Drugs.....	-2.6	-13.4	+1.3	-6.0
Electrical Goods.....	-16.9	-13.9	-26.1	-21.0
Tobacco and Its Products.....	+4.4	+0.3	+4.7	+4.1
Miscellaneous.....	+3.9	-22.6	-10.6	-2.3

\*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

### RETAIL TRADE

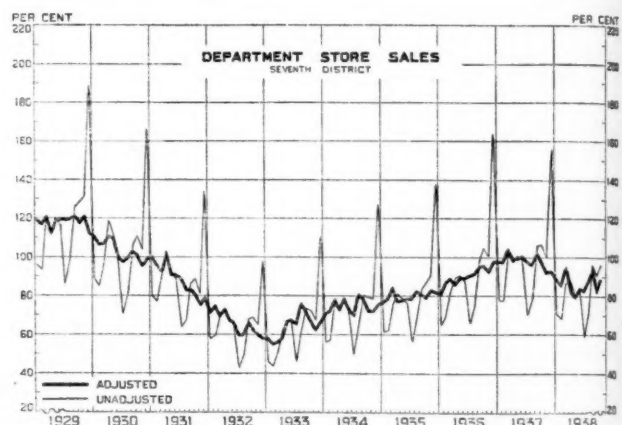
**D**EPARTMENT store trade in this district recorded a 5 per cent gain in November over October, whereas the 1928-37 average for the month shows a decline of 3 per cent. Chicago department stores experienced a 6 per cent increase in business during the period, Detroit sales expanded 9 per cent, and the total for smaller cities in the district registered a gain of 4 per cent, while business of Indianapolis and Milwaukee stores fell off 2 and 4 per cent, respectively. The decline of 5 per cent from last November was the smallest in the yearly comparison so far in 1938, and may be ascribed partly to differences in prices between this year and last and

DEPARTMENT STORE TRADE IN NOVEMBER 1938

Locality	Per Cent Change November 1938 from November 1937		Per Cent Change First Eleven Months 1938 from Same Period 1937	Ratio of November Collections to Accounts Outstanding End of October	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-5.5	-12.2	-11.9	34.7	33.8
Detroit.....	-7.2	-18.7	-21.7	45.2	43.6
Fort Wayne.....	-7.0	.....	-12.5	.....	.....
Indianapolis.....	+1.9	-14.3	-7.9	39.9	40.8
Milwaukee.....	-6.1	-7.8	-11.3	37.5	38.6
Peoria.....	-3.3	.....	-9.3	.....	.....
Other Cities.....	-2.3	-10.1	-9.4	35.0	34.6
7th District.....	-5.1	-12.8	-13.5	38.4	38.0

\*Include Fort Wayne and Peoria.

to the fact that apparently customers are buying lower-priced merchandise. In the four weeks ended December 24, the dollar value of department store sales in the district ran 2 per cent ahead of that in the corresponding 1937 period, and it is reported that the physical volume of transactions showed an even greater increase over last December. Indianapolis trade in the four weeks recorded a 10 per cent gain in dollar sales over the same weeks of 1937, while trade in Chicago, Detroit, and Milwaukee was heavier by one per cent than at that time, and stores in smaller cities had noticeably larger sales than a year ago. As is usual in November, stocks rose somewhat further in the month this year; they totaled, however, 13 per cent lighter than on November 30 last year. Their rate of turnover in the period was somewhat greater than in the 1937 month; for 1938 through November it was 3.69 times as against 3.78 times for the eleven months a year ago. After having been lower in each month of 1938 through October, the ratio of total collections to accounts outstanding at the end of the preceding month was slightly higher in November than for the same period last year.



Index numbers of department store sales in the Seventh district, with and without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 through November 1938.

Sales of shoes at retail by reporting dealers and department stores declined 7 per cent in November from the preceding month. Dealer sales fell off 15 per cent in the period, while those of department stores decreased only one per cent in the aggregate. However, the dollar volume sold by dealers was one per cent larger than in November last year, whereas shoe sales by department stores totaled 3 per cent lighter in the comparison. The decline of 2 per cent from a year ago in aggregate sales of dealers and department stores compared with one of 11 per cent in October. In the first eleven months of 1938, the retail shoe trade in this district was off 10 per cent from the same 1937 period. Stocks declined slightly during the current month and were 8 per cent lighter on November 30 than at the same time a year previous.

Since May when sales of furniture and housefurnishings were more than 30 per cent smaller than in the corresponding month of 1937, the margin of decline from a year ago has been narrowed steadily each month until in November the dollar volume sold by dealers and department stores was only 7 per cent smaller than that of last November. As compared with the preceding month, sales in the current period totaled 8 per cent less, with those of department stores aggregating

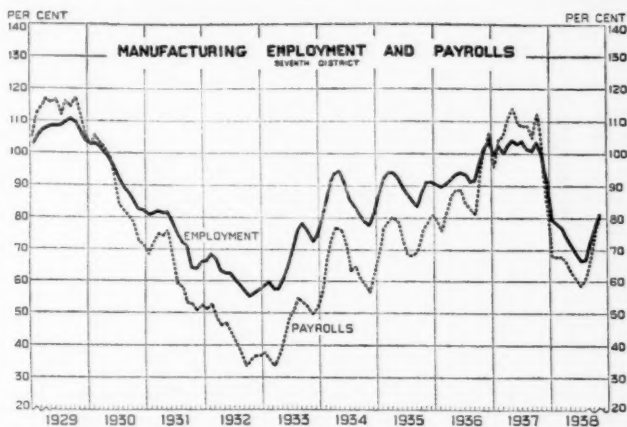


only 7 per cent lighter and dealer sales falling off 14 per cent. There was a continued increase between the end of October and November 30 in stocks of furniture and housefurnishings, but on the latter date inventories were lighter by 16 per cent than on the corresponding 1937 date.

## Industrial Employment Conditions

FOR the fourth consecutive month, employment and payrolls in Seventh district industries registered increases in November, the expansion being less marked than in the two preceding months but more extensive than in August. Durable goods industries were again the main contributors to the upward trend, and the gains in this classification in the current month were practically limited to the metals and vehicles groups. Exclusive of these two groups, the district total approximated closely that of the preceding month. Non-durable goods which were expanding as early as last June—two months in advance of durable goods—reached their highest volume in September since which time they have shown a fairly general downward trend. The decreases in the current month were largely contributed by the textiles and the food-products industries. Non-manufacturing industries have shown only minor fluctuations this year except for the sharp seasonal decline of last January. In the past four months the trend in this classification has been moderately upward, the total rise over the period amounting to a little less than 5 per cent in number of workers employed and to 4 per cent in wage payments. Public utility concerns with a large and fairly stable volume of employment exerted a steadying influence on the non-manufacturing groups as a whole as did also the fact that while the construction industries were showing losses, the coal mining industry was expanding. The merchandising group reported employment and payrolls as, respectively, 8 and 5 per cent above the corresponding volumes of four months earlier. In the manufacturing industries as a whole, the increases for the same period amounted to as much as 22 per cent in number of workers and 37 per cent in wage payments.

The current volume of employment in all reporting industries of the district was 16 per cent lower and payrolls 18 per cent lighter than in the same month a year ago. These declines were the smallest recorded in the yearly comparison so far this year, the improvement being due not only to the recent expansion but also to the fact that last year at this time industry generally was slowing down, durable and non-durable as well as non-manufacturing groups contributing to the recession. In the current comparison with 1937, the non-durable goods industries are in a considerably better position than are the durable, with the percentage decreases in the former being less than 10 per cent as against close to 25 per cent in the latter. For non-manufacturing industries the losses from a year ago totaled only 5 per cent each in employment and payrolls.



Index numbers of Seventh district manufacturing employment and payrolls, 1923-1925 average = 100. By months, January 1929 through November 1938.

## Manufacturing

### IRON AND STEEL PRODUCTS

CONTINUED active demand from makers of automobiles maintained operations of Chicago district steel mills, with slight fluctuation, through mid-December at a level equal to that of a month earlier, or at 60½ per cent of capacity, which rate compares with one of only 24 per cent at the same time a year ago when production had been sharply curtailed. In the third week of December, operations fell off 4½ points to 56 per cent of capacity. Buying by the automotive industry has been reflected chiefly in sales of sheets and strip, merchant bars, and wire products. There has been some improvement in the demand for construction materials, but sales to the farm equipment industry have been lagging. Daily average pig iron production in the Illinois and Indiana district rose more than 20 per cent further in November and was likewise over one fifth greater than in the month last year—the first gain to be shown in the latter comparison so far in 1938. Steel prices have been reaffirmed for the first quarter of 1939. The scrap iron and steel market, after easing in the latter part of November, has been quiet but firm.

\* \* \*

There was a sharp expansion during November in orders booked by reporting steel casting foundries in the Seventh district, following a drop in new business a month previous, and output was accelerated considerably. A similar trend was shown at malleable casting foundries, although gains were smaller than for steel castings. Last year in November

### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of November 15, 1938			Change from October 15, 1938	
	Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) \$	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,800	363,937	10,039	+ 4.5	+ 6.1
Vehicles.....	425	322,047	11,105	+13.2	+12.0
Stone, Clay, and Glass.....	284	22,478	545	+ 1.8	- 1.9
Wood Products.....	493	42,723	869	+ 0.3	- 3.7
Total.....	3,002	751,185	22,558	+ 7.7	+ 8.3
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	403	64,765	1,166	- 1.9	- 6.9
Food and Products.....	1,043	106,658	2,738	- 2.3	- 2.1
Chemical Products.....	314	35,342	1,047	+ 0.8	- 0.9
Leather Products.....	172	25,968	546	+ 1.9	+ 1.4
Rubber Products.....	34	18,367	481	+ 7.0	+ 3.2
Paper and Printing.....	743	74,592	2,103	+ 1.7	- 0.4
Total.....	2,709	325,690	8,081	- 0.2	- 1.7
<b>Total Mfg., 10 Groups.....</b>	<b>5,711</b>	<b>1,076,875</b>	<b>30,639</b>	<b>+ 5.2</b>	<b>+ 5.5</b>
<b>Merchandising<sup>2</sup>.....</b>	<b>5,583</b>	<b>141,836</b>	<b>3,080</b>	<b>+ 1.6</b>	<b>+ 0.5</b>
Public Utilities.....	1,089	98,665	3,273	- 0.7	+ 0.2
Coal Mining.....	73	18,005	411	+ 2.6	+ 1.5
Construction.....	790	11,766	324	- 5.2	-10.8
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,535</b>	<b>270,272</b>	<b>7,088</b>	<b>+ 0.5</b>	<b>- 0.2</b>
<b>Total, 14 Groups.....</b>	<b>13,246</b>	<b>1,347,147</b>	<b>37,727</b>	<b>+ 4.2</b>	<b>+ 4.4</b>

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.

activity was receding steadily, so that current comparisons with 1937 have become more favorable.

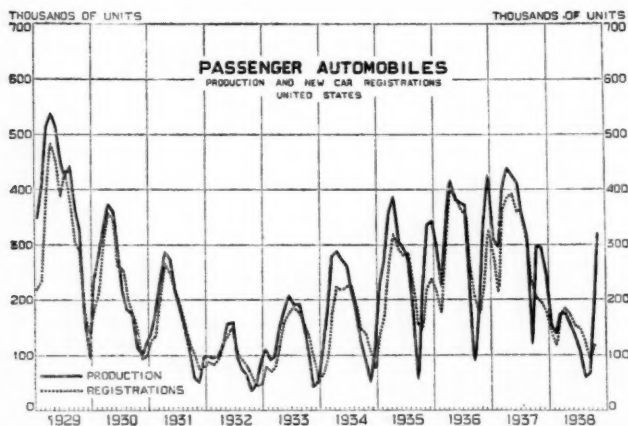
#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	November 1938 Per Cent Change from	
	October 1938	November 1937
<b>Steel Castings:</b>		
New orders booked (tons).....	+63.6	-7.0
New orders booked (dollars).....	+38.7	-8.9
Shipments (tons).....	+34.0	-37.4
Shipments (dollars).....	+19.5	-41.8
Production (tons).....	+21.0	-32.1
<b>Malleable Castings:</b>		
New orders booked (tons).....	+13.2	+25.2
New orders booked (dollars).....	+11.5	+20.3
Shipments (tons).....	+27.2	-13.5
Shipments (dollars).....	+18.9	-20.5
Production (tons).....	+10.1	-8.9

Although shipments from stove and furnace factories of the district fell off considerably during November, in accordance with seasonal trend, they were within 5 per cent of the corresponding 1937 volume; and orders received, off more than one third from October, totaled nearly 15 per cent above those in the month last year. Production was curtailed 10 per cent in the current period but recorded a small increase over a year ago.

#### THE AUTOMOBILE INDUSTRY

**I**N NOVEMBER, for the first time this year, production of automobiles exceeded the corresponding 1937 volume, and data for the early part of December indicate that output for the month will show a further gain and be substantially greater than in December last year when lagging demand caused manufacturers to curtail production schedules. There were 320,344 passenger automobiles and 52,014 trucks produced this November in the United States, which figures represent increases of 71 and 136 per cent, respectively, over October and a gain of 8 per cent in passenger car output over a year ago but a decline of 20 per cent in truck production. Although several manufacturers reduced schedules slightly in the second week of December, advances by others had raised output by that time to a level higher than for any week in sixteen months and to between 15 and 20 per cent above the corresponding 1937 week.



Number of new passenger automobiles produced and registered each month in the United States. Latest figures: Production, November, 1938; Registrations, October, 1938. Sources: Production, United States Department of Commerce; Registrations, R. L. Polk & Company.

Reception of the 1939 model cars has been enthusiastic and demand for them excellent, so that despite accelerated production schedules to meet dealers' needs, field stocks remain low. Wholesale distributors of automobiles in the Seventh district had sales in November about one and one-half times those of the preceding month and one fourth again

as large in number as in the month last year, while sales at retail by reporting dealers expanded approximately 80 per cent over October and totaled 35 per cent heavier than a year ago. Although stocks of new cars in dealers' hands rose better than 100 per cent during November, they were only a little more than one third as large at the end of the month as on November 30 last year. Sales of used cars gained somewhat in the current period but were a little smaller than in November a year ago; stocks increased substantially over the end of October though aggregating one fourth lighter than at the close of November in 1937.

#### Furniture

#### OTHER INDUSTRY

**A**LTHOUGH new orders booked by Seventh district furniture manufacturers continued to decline during November, in accordance with seasonal trend, the decrease of 6 per cent from the October volume was much less than in the 1928-37 average for the period, and the aggregate amount of new business exceeded that of November last year by 18 per cent and was nearly that much above the ten-year average. The increase over a year earlier was the first noted since June 1937. Shipments also, though 10 per cent below those in October, fell off much less than seasonally in November, were within 7 per cent of a year ago, and totaled 12 per cent above the 1928-37 November average. They slightly exceeded the volume of new orders, and this influence together with cancellations reduced unfilled orders 6 per cent between the close of October and November 30. On the latter date orders on hand totaled 3 per cent larger than on the same date in 1937, but their ratio to new business booked during the month was only 90 per cent as compared with 102 per cent last year. The production rate remained steady during November at 74 per cent of capacity and approximated that prevailing in the month a year ago.

#### Paper and Pulp

**D**ESPITE declines in orders and shipments at paper mills, Seventh district production of pulp and paper increased slightly during November. Last year at this time output was decreasing rapidly, and so current comparisons with 1937 have become more favorable. Paper mills operated at 82 per cent of capacity over the month, against 72 per cent last year; while pulp mills operated at 85 per cent of capacity, compared with 80 per cent in November 1937.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	November 1938 Per Cent Change from	
	October 1938	November 1937
<b>Paper:</b>		
New orders booked (tons).....	-6.9	+31.3
New orders booked (dollars).....	-12.5	+25.3
Total shipments (tons).....	-1.0	+15.4
Total shipments (dollars).....	-2.0	+10.5
Total production (tons).....	+1.0	+15.2
Stocks on hand at end of month (tons).....	+1.6	+1.7
<b>Pulp:</b>		
Pulp produced (tons).....	+2.0	+11.1
Stock on hand at end of month (tons).....	-0.7	-8.1

#### The Building Industry

**C**ONTRACTS awarded during November for the construction of buildings, public works, and utilities in the Seventh district authorized the expenditure of a little over \$57,000,000, a sum seasonally less than recorded in October but more than twice the volume of a year ago. About three quarters of the month's valuation was for residential and non-residential building, and only one fourth for public works and utilities. The decline in the total from October was due almost entirely to a curtailment of public works, mainly publicly-financed projects. Increased support from public

funds maintained both residential and non-residential building close to the relatively high level of a month earlier; 15 per cent of residential and 77 per cent of non-residential building came from this source in November as against 8 and 62 per cent, respectively, a month previous. Of total contracts awarded in the month, 56 per cent represented public financing as compared with only 34 per cent in November 1937.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
November 1938.....	\$57,161,000	\$17,196,000
Change from October 1938.....	- 13.2%	- 1.0%
Change from November 1937.....	+103.1%	+124.6%
First eleven months of 1938.....	\$472,016,000	\$132,480,000
Change from same period of 1937.....	+1.6%	+3.7%

\*Data furnished by F. W. Dodge Corporation.

Building permits issued in 101 cities of the district showed a 12 per cent decline for November in the estimated cost of construction, decreases in Indiana, Iowa, and Michigan cities more than counteracting the substantial increases recorded for Illinois and Wisconsin. The current trend in each State was the reverse of that prevailing a month earlier. As compared with a year ago, the estimated cost was considerably higher for each of the five reporting States; gains ranged from 29 per cent for Indiana to 61 per cent for Illinois, and amounted to 46 per cent in the aggregate. The number of permits issued during November fell off more sharply in the monthly comparison and increased less in the yearly comparison than did estimated cost of the projects. For the district outside the five larger cities, there was a 42 per cent rise in estimated cost over a year previous with a decline of 8 per cent in number of projects contemplated. Of the five larger cities, all but Chicago showed increases in cost per unit of project over last November.

Demand for building materials fell off during November, the declines in retail distribution of lumber and in shipments of brick and cement being about as large as generally take place at this season. Wholesale distribution of lumber was well maintained, with little change from October in board-foot sales and a loss of only 8 per cent in dollar volume, as compared with declines of 12 and 18 per cent, respectively, in the November average for the ten preceding years. Total yard sales, also, registered a somewhat smaller than customary decline for the month, and fell below the corresponding year-ago volume by only 6 per cent. Outstanding accounts at these yards were higher than a month earlier in ratio to sales but lower than last November.

## Agricultural Products

### Wheat

### GRAIN MARKETING

RECEIPTS of wheat at interior primary markets in the United States again declined seasonally during November, but were the highest for the month in seven years. Both receipts and shipments were the lowest since last June. Exports of the grain continued in fair volume but lighter than in 1937. Reflecting chiefly liquidation of December contracts, wheat prices were generally lower in the latter part of November, quotations for No. 2 hard winter wheat in cash positions at Chicago standing at \$.63½ and \$.65¼ at the end of the month. However, under the influence of increased export sales by the Government agency, continued droughty conditions in the southwestern States, and a substantial reduction in prospects for the domestic 1939 winter wheat crop,

these prices rose almost 2 cents during the first three weeks of December. United States visible supplies of wheat as of December 17 were slightly smaller than a month earlier but 28 per cent larger than in 1937.

### Corn and Oats

ALTHOUGH an increase is usually expected in November, there was a sharp decline in primary receipts and shipments of corn over the month, and the movement fell below a year ago as farmers evidently became more disposed to hold or to seal their corn. Light country offerings and primary receipts, plus increased export interest, were major factors in corn firmness from mid-November through the first three weeks of December; by December 21 cash prices of No. 2 yellow corn at Chicago had risen about 5½ cents over the month-earlier level to \$.517½ and \$.53¼. Visible supplies remained rather heavy, though showing a less than seasonal increase over the four weeks ended December 17; a large portion of these stocks consisted of Government holdings. November receipts of oats fell off sharply, but shipments rose somewhat. Oats prices ruled firm from mid-November through mid-December.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

	(In thousands of bushels)			
	November 1938	October 1938	November 1937	November 1937-37 Av.
Wheat:				
Receipts.....	18,514	27,266	15,924	19,106
Shipments.....	21,669	23,759	31,391	22,728
Corn:				
Receipts.....	30,835	47,417	42,923	19,974
Shipments.....	16,141	19,562	18,740	10,081
Oats:				
Receipts.....	3,559	7,569	6,795	5,518
Shipments.....	5,941	5,743	8,307	5,931

### MOVEMENT OF LIVESTOCK

NOVEMBER receipts of cattle, calves, and lambs at public stockyards in the United States showed a seasonal decline from October, while those of hogs increased somewhat more than is usual for the month. Marketings of hogs and lambs continued higher than in 1937; those of cattle and calves were lower than last year. The movement to inspected slaughter—inclusive of livestock that did not pass through public stockyards—followed the trends of market receipts, except that comparisons with October and with 1937 were more favorable. The decline in November from October in shipments to feed lots was slightly less than is seasonally expected, and animals moved to these areas in considerably greater volume than was shown in the 1933-37 average figures.

### MEAT PACKING

WITH slaughter of hogs expanding and continuing in close to seasonal volume and with that of cattle and

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District.				
November 1938.....	160	632	222	72
Federally Inspected Slaughter, United States:				
November 1938.....	858	3,913	1,453	457
October 1938.....	894	3,311	1,638	470
November 1937.....	858	3,295	1,321	468
November 1928-37 average.....	820	3,979	1,362	416

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Dec. 17 1938	Nov. 1938	Months of 1938	Nov. 1937
Native Beef Steers (average).....	\$10.10	\$10.10	\$10.55	\$10.65
Fat Cows and Heifers.....	7.35	7.80	7.85	7.10
Calves.....	8.75	9.50	10.50	9.40
Hogs (bulk of sales).....	7.15	7.70	7.90	8.65
Lambs.....	8.85	8.85	8.15	9.60



lamb's decreasing from October but exceeding the 1928-37 average, the production of packing-house commodities at inspected slaughtering establishments in the United States rose in November to the highest level since January 1938 and to slightly above the ten-year average for the period. The tonnage sold, owing to competitive demand for poultry during the Thanksgiving holiday, was under current production by about the seasonal amount and there was some accumulation of inventories in the United States. Although quotations for lamb, common and medium steers, dry salt meats, and a few other pork cuts strengthened, the general price level of animal products was somewhat lower in November than in October. However, total dollar sales billed to domestic and foreign customers fell off less than seasonally. Payrolls in the industry at the close of November showed an increase over October of 4 per cent in employees, 3 per cent in hours, and of 2 per cent in wage payments; they recorded declines in these items from a year ago of 3, 5, and 6 per cent, respectively.

#### MEAT PACKING—UNITED STATES

	Per Cent Change in November 1938 from		
	October 1938	November 1937	1928-37 Av.
Tonnage produced.....	+ 8.6	+11.8	+ 2.1
Tonnage sold.....	- 1.7	+11.2	+ 2.4
Dollar sales.....	-10.1	- 0.2	+ 3.6
Inventories (tonnage).....	+15.7	+ 7.0	-25.9

#### Foreign Trade

SHIPMENTS of packing-house commodities for export increased slightly in November over October, owing mainly to a tendency to build up ham stocks in England for the Christmas trade. English demand was good for hams; it also held up fairly well for spot lard, despite the weakness in Sterling and some inclination also to await elimination of the duty on January 1. During November, the Scandinavian demand for animal products from the United States declined, because of seasonally large domestic hog slaughter and current Sterling-Dollar relationships. Trade with Czechoslovakia, though showing some betterment over a month earlier, continued under the restraining influence of payment difficulties and the loss of territory in the Sudeten transfer. Cuban, Porto Rican, and Latin American demand for hog products from the United States tended to improve with lower quotations at Chicago. Prices abroad ruled somewhat under Chicago parity; ham quotations in England were slightly above this basis early in November but subsequently weakened in anticipation of heavy arrivals late in the month and during early December.

#### DAIRY PRODUCTS

MILK and butter production during November continued heavy for the season, though declining more than usually from October. The November creamery make of butter by Seventh district firms decreased 24 per cent from a month previous, but totaled 4 per cent heavier than in the same 1937 period. Sales also fell off more than seasonally in November, totaling 12 per cent less than in October, though 8 per cent over November 1937. United States creamery butter production likewise declined, but remained rather large for the month. Cold-storage holdings of butter in the United States on December 1 aggregated 35 million pounds less than a month earlier; however, the total of 159 million pounds was again by far the highest on record for the date. Almost two thirds of these stocks were held by Government agencies. Butter prices ruled strong over November and the first part of December, reflecting chiefly a sustained trade

demand for cash butter, but later prices declined sharply when fresh receipts increased. At 26 cents on December 21 wholesale prices for 92 score butter at Chicago were down 3¼ cents from the month's high.

The manufacture of American cheese in Wisconsin during November declined seasonally 26 per cent from October, though totaling 6 per cent over a year ago and 15 per cent higher than the 1928-37 November average. Sales of cheese from Wisconsin primary markets also fell off by one fourth, but were higher than in 1937 by the same percentage. Domestic cold-storage holdings decreased in November; however, on December 1 they were still at a record high for the season. Cheese prices showed continuing strength from mid-November through December 15, and by the latter date had advanced about 2 cents over the month-earlier level. Later prices eased off slightly when production remained comparatively heavy and butter prices declined.

#### MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.

	Nov. 1938	Oct. 1938	Sept. 1938	Nov. 1937	Oct. 1937	Sept. 1937
1923-25 average=100						
<b>Manufacturing Industries:</b>						
Employment.....	81	77	73	100	104	101
Payrolls.....	80	76	68	101	112	105
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	83	68	56	68	98	134
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	109	64	22	101	102	41
Trucks.....	138	59	49	172	83	139
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	34	28	30	58	70	96
In Tons.....	30	22	24	47	58	86
Malleable—In Dollars.....	44	37	37	55	64	76
In Tons.....	58	45	45	67	77	92
<b>Stoves and Furnaces:</b>						
Shipments.....	172	220	209	182	305	301
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	62	66	67	53	66	78
Shipments in Dollars.....	64	73	74	68	83	89
<b>Building Contracts Awarded:</b>						
Residential.....	59	59	51	26	37	34
Total.....	84	96	78	41	58	57
<b>Meat Packing—(U. S.):</b>						
Production.....	98	91	85	88	84	75
Sales Tonnage.....	93	94	92	83	88	87
Sales in Dollars.....	85	95	92	86	100	100
<b>Creamery Butter Output:</b>						
Production.....	78	102	111	75	86	92
Sales.....	108	123	153	101	101	122
<b>Department Store Net Sales:</b>						
Chicago.....	90	84	84	95	98	91
Detroit.....	111	99	133	117	123	151
Indianapolis.....	112	113	113	109	125	124
Milwaukee.....	99	102	98	104	120	106
Other Cities.....	93	87	84	93	101	91
Seventh District—Unadjusted.....	96	91	96	100	106	105
Adjusted.....	88	82	93	92	97	102

#### Credit and Finance

##### MEMBER BANK RESERVES

CONTINUED gains in funds from commercial and financial transactions with other sections of the United States were primarily responsible for the 48-million dollar increase in Seventh district member bank reserves during the four-week period ended December 14. These deposits stood at \$1,352 million on December 14, or close to the record high established early in July of this year. Part of the funds transferred from reserves a month previous were returned to that classification during the current period, which, together with a 4-million dollar excess of Treasury disbursements over receipts and an increase in Reserve bank credit extended, further augmented reserves by 31 millions. The seasonal increase in currency circulation amounted to 16 millions in the Seventh district, almost all of the expansion being outside the metropolitan areas.



## INTEREST RATES

THE average rate earned during November on total loans and discounts by the larger banks in Chicago and Detroit was lower than in the preceding period—the first such adverse comparison in several months. Customers' rates charged by these banks on December 15 were about the same as a month earlier, with the possible exception of those on commodity paper loans, in which group a slight softening was noted.

## OPEN MARKET PAPER

NOVEMBER financing through bankers' acceptances in the Seventh district and outstandings at the month's end both declined rather sharply from the corresponding October totals, whereas moderate increases are seasonally expected. New financing by several large Chicago banks in the first fifteen days of December was in about the same volume as during the comparable November period.

Commercial paper sales of representative Middle Western dealers likewise receded rather markedly in November from October, and this trend continued through the first half of December. Outstandings on November 30, however, showed little change when compared with a month earlier. Declines recorded from a year ago, though not so large as in the case of bankers' acceptances, were nevertheless quite sharp.

## SECURITIES MARKETS

LITTLE change of any importance was noted in bond prices during November and the early part of December. The slight weakening which occurred is normally expected at this time of year, due, among other factors, to selling for tax purposes. Prices of lower-grade obligations have moved in fairly close correlation with the stock market. Most of the demand for bonds continues to come from institutions. Demand for municipals is for somewhat below the top in both quality and price, and is centered primarily in the East, as exemplified by price performance of high-grade Middle Western issues which were not New York legals. The volume of new corporate issues in November was rather light as compared with October. Refundings comprised about two thirds of the total. That portion originating in the Seventh district, mainly one large utility issue for refunding and for new construction, comprised about 35 per cent of the United States total. The largest corporate issue of the month, an industrial issue, was sold directly to a group of insurance companies.

The Treasury's mid-December financing met with the expected success. Three issues were offered, two for cash subscription and exchange, and one for exchange only. Holders of the 1½ per cent notes maturing next March were offered an exchange for any of the new issues, and about \$922 million of the \$942 million outstanding was so exchanged—\$695 million for the 9-year 2 per cent bonds, \$188 million for the 22-27-year 2¾ per cent bonds, and \$39 million for the 5-year 1½ per cent notes. Cash subscriptions totaled \$5,732 million for \$400,000,000 of the 2¾ per cent bonds and \$3,646 million for \$300,000,000 of the 1½ per cent notes. The \$100,000,000 issue of 91-day Treasury bills dated December 21 sold at an average discount to yield .006 per cent, or at an average cost to the Treasury of about 1½ cents per \$1,000.

Chicago stock prices softened somewhat after establishing a new high for the year in the first half of November, averaging moderately lower on December 21 than a month earlier.

## Selected Seventh District Banking Data

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Dec. 14 1938	Nov. 16 1938	Dec. 15 1937
Total bills and securities.....	\$ 277	\$ 0	\$ -6
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	276	0	-6
Total reserves.....	2,233	-3	+415
Member bank reserve deposits.....	1,352	+48	+339
All other deposits.....	137	-60	+09
Federal Reserve notes in circulation.....	990	+13	0
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	90.0%	-0.2*	+2.2*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Dec. 14 1938	Nov. 16 1938	Dec. 15 1937
<b>ASSETS</b>			
Loans and investments—total.....	\$2,985	\$+13	\$-15
Loans—total.....	843	+17	-156
Commercial, industrial, and agricultural loans.....	476	+4	-134
Open-market paper.....	33	-2	-17
Loans to brokers and dealers in securities.....	42	+0	-7
Other loans for purchasing or carrying securities.....	80	+3	-10
Real estate loans.....	94	+1	+7
Loans to banks.....	4	0	-1
Other loans.....	114	+2	+6
U. S. Government direct obligations.....	1,447	+13	+30
Obligations fully guaranteed by U. S. Government.....	227	-11	+36
Other securities.....	468	-6	+75
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,375	+76	+152
Time deposits.....	886	+2	+16
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended December 14 was 20.07 times, as compared with 21.93 times in the preceding four weeks and with 22.69 times in the corresponding period of 1937.

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	November 1938	October 1938	November 1937
Chicago.....	\$2,595	-13.9	-4.6
Des Moines.....	88	-3.9	-1.8
Detroit.....	848	+9.2	-14.4
Fort Wayne.....	31	-4.4	-10.3
Grand Rapids.....	47	-4.5	-10.6
Indianapolis.....	187	-4.3	-1.8
Milwaukee.....	234	-5.0	-7.3
Peoria.....	59	-4.2	-7.5
South Bend.....	31	-3.1	-21.0
32 smaller cities.....	459	-3.1	-9.7
Total 41 cities.....	\$4,579	-7.9	-7.3

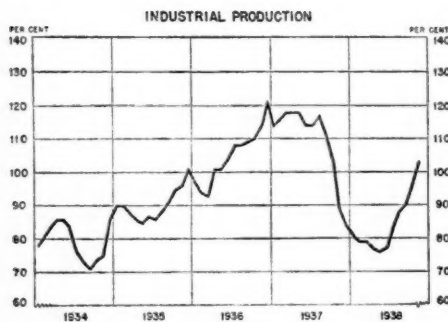
### TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

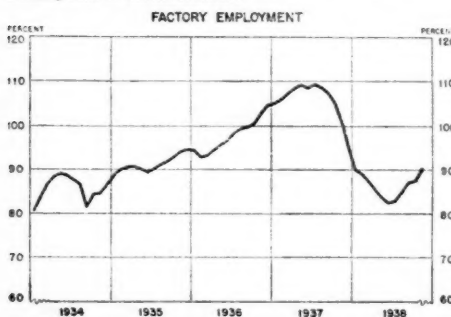
	November 1938	November 1937
Total country and city check clearings:		
Pieces.....	11,831,499	10,944,600
Amount.....	\$2,066,119,481	\$2,087,263,269
Daily average clearings:		
Total items cleared—		
Pieces.....	514,413	456,025
Amount.....	\$89,831,282	\$85,719,303
Items drawn on Chicago—		
Pieces.....	80,505	71,299
Amount.....	\$46,891,000	\$43,720,000
Items drawn on Detroit—		
Pieces.....	22,126	20,846
Amount.....	\$9,647,142	\$10,243,752

# National Summary of Business Conditions

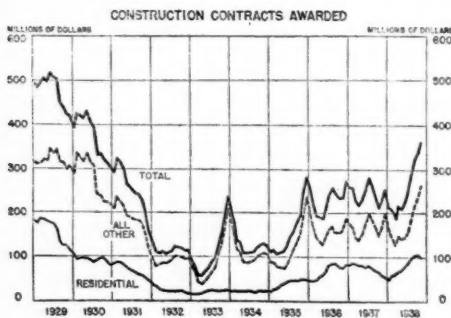
(By the Board of Governors of the Federal Reserve System)



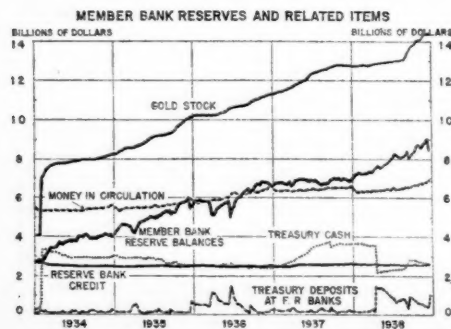
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1938.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for October and November and estimate for December.



Wednesday figures, January 3, 1934, to December 21, 1938.

**T**HE sharp rise in industrial production, which began early last summer, continued in November. Preliminary reports for the first three weeks of December indicate some slowing-down in the advance. Employment also increased in November and payrolls showed little change, although a decline is usual at this season. Distribution of commodities to consumers increased considerably.

## PRODUCTION

**T**HE Board's seasonally adjusted index of industrial production in November rose to 103 per cent of the 1923-1925 average from 96 per cent in October. Output of steel continued to increase, contrary to the seasonal trend, and there was a further sharp rise in automobile production. In the first three weeks of December activity at steel mills declined somewhat more than seasonally, while output of automobiles continued at the high level reached at the end of November. Lumber production in November decreased by more than the usual seasonal amount. In the nondurable goods industries, shoe production declined seasonally, while output of textiles showed a considerable expansion, with increased activity at cotton, wool, and silk mills. At mines, bituminous coal output increased further and production of anthracite showed less than the usual seasonal decline. Output of petroleum showed little change.

Value of construction contracts awarded in November showed a decline from the high level reached in October, according to F. W. Dodge figures for 37 Eastern States. Private and public projects both declined, following increases in October. The decline in contracts for private residential building was less than seasonal.

## EMPLOYMENT

**E**MPLOYMENT increased somewhat further and payrolls showed little change between the middle of October and the middle of November, although declines are usual at this time of year. In manufacturing the number employed continued to rise, reflecting principally a further sharp increase at automobile factories and substantial increases in the machinery, steel, and textile industries. Employment declined seasonally at establishments producing clothing and shoes; in most other industries employment increased somewhat. In lines other than manufacturing, employment showed some increase, when allowance is made for usual seasonal changes.

## DISTRIBUTION

**D**ISTRIBUTION of commodities to consumers showed a considerable increase in November. Department store sales and mail order sales, which had been retarded in October by unseasonably warm weather, rose sharply, and sales at variety stores also increased in November. Sales of automobiles to consumers expanded sharply following the introduction of new models and in November were larger than a year earlier.

Freight-car loadings, which had increased considerably in previous months, showed a slightly less than seasonal decline in November.

## COMMODITY PRICES

**P**RICES of some industrial materials, such as nonferrous metals, hides, and cotton goods, decreased somewhat from the middle of November to the third week of December. Sugar prices also declined, while grains advanced somewhat. Prices of most other agricultural and industrial commodities continued to show little change.

## BANK CREDIT

**I**N CONNECTION with pre-holiday trade, there was a sharp increase in money in circulation and as the result of this increase in the demand for currency, together with Treasury operations around December 15, there was a temporary decline in member bank reserves.

Following declines during November, total loans and investments of reporting member banks in 101 leading cities increased during the first three weeks of December, largely reflecting operations of the Treasury. Loans to security dealers by New York banks increased sharply, reflecting temporary borrowing for the purpose of carrying Government securities exchangeable for new issues on December 15. Adjusted demand deposits rose to a new high level in the first half of December.

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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

